

Message Text

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TAGS: EFIN, FR
SUBJECT: THE ECONOMIC VIEWS OF RAYMOND BARRE

1. IN THE FOLLOWING SECTIONS WE PRESENT A SUMMARY OF
BARRE'S VIEWS ON DOMESTIC ECONOMIC POLICY AND ON INTER-
NATIONAL MONETARY AND TRADE POLICY ISSUES, AS EXPRESSED
IN THE PAST FEW YEARS IN HIS VARIOUS CAPACITIES AS
VICE PRESIDENT OF THE COMMISSION OF THE EUROPEAN
COMMUNITY (1967-1973), MINISTER FOR FOREIGN TRADE
(SINCE THE BEGINNING OF THIS YEAR), AND AS A PROMINENT
PROFESSOR OF ECONOMICS AT THE UNIVERSITY OF PARIS OVER
THE YEARS. ALSO INCLUDED IS PRESS SPECULATION ON THE
FORM HIS ECONOMIC PROGRAM WILL TAKE. OBVIOUSLY, THE
VIEWS WHICH HE HAS EXPRESSED IN THE PAST BOTH IN HIS
OFFICIAL AND PRIVATE CAPACITIES ARE AT BEST A POTENTIAL
GUIDE TO HIS FUTURE ACTIONS AND POLICIES. IN HIS
JOINT ROLE AS PRIME MINISTER AND MINISTER OF ECONOMICS
AND FINANCE, HE WILL NOW HAVE TO DEAL WITH A NUMBER
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OF CONSTRAINTS WHICH ARE LACKING IN THE WORLD OF

THEORETICAL ECONOMICS--FOR EXAMPLE, THE VIEW OF PRESIDENT GISCARD D'ESTAING AND THE EQUALLY STRONG AND OFTEN COUNTERVAILING VIEWS OF FRANCE'S MAJOR ECONOMIC AND POLITICAL INTEREST GROUPS.

2. DOMESTIC POLICY

DESCRIBED AS THE "KNIGHT OF AUSTERITY" BY LE MONDE, THE NEW PRIME MINISTER HAS ON NUMEROUS OCCASIONS IN THE LAST FEW YEARS WARNED THE FRENCH PEOPLE THAT THEY ARE LIVING BEYOND THEIR MEANS AND THAT INVESTMENT AND SAVINGS ARE BEING SACRIFICED EXCESSIVELY IN FAVOR OF HIGHER CONSUMPTION. IN A JULY 1976 INTERVIEW IN L'EXPRESS, HE STATED THAT A TEMPORARY, BUT EQUITABLE, STABILIZATION OF PURCHASING POWER IS NECESSARY TO RESTORE FRENCH INTERNATIONAL COMPETITIVENESS. IN HIS OPINION, HOWEVER, INFLATION IN FRANCE IS NOT DUE SOLELY TO CYCLICAL CAUSES; STRUCTURAL FACTORS AND RIGIDITIES IN MANY SECTORS OF THE ECONOMY PLAY AN IMPORTANT ROLE IN THE UPWARD RATCHETING OF PRICES. THEREFORE, CYCLICAL POLICIES IN THE FIGHT AGAINST INFLATION WILL HAVE ONLY PARTIAL AND LIMITED EFFECTIVENESS UNLESS THEY ARE ACCOMPANIED BY LONGER TERM POLICIES REFORMING THE STRUCTURE OF THE FRENCH ECONOMY. IN PLACE OF THE CURRENT RIGID SYSTEM OF GOVERNMENT CONTROL OVER LARGE PARTS OF THE ECONOMY, BARRE ADVOCATES A FLEXIBLE POLICY OF REGULATION THAT WILL ALLOW GREATER ROOM FOR PRIVATE INITIATIVE AND RESPONSIBILITY.

3. SPECULATION ON THE NEW BARRE PROGRAM

THE TASK WITH WHICH BARRE IS CURRENTLY FACED--TO DESIGN AN EFFECTIVE ANTI-INFLATIONARY PROGRAM THAT HE CAN CONVINCE THE FRENCH NATION TO ACCEPT AND TO IMPLEMENT--IS ONE WHICH WOULD TEST THE METTLE OF EVEN THE MOST CONSUMMATE POLITICIAN. PRESS SPECULATION IS THAT THIS PROGRAM WILL INCLUDE A RIGOROUS BUDGET MORE SEVERE THAN THAT OUTLINED DURING THE PAST FEW MONTHS BY MINISTER FOURCADE, LIMITED OFFICIAL USE

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PLUS A RESTRICTIVE CREDIT POLICY WHICH WILL PUT A STRONG CHECK ON LOANS TO PRIVATE CONSUMERS IN ORDER TO CHANNEL FUNDS INTO PRODUCTIVE INVESTMENT AND EXPORT DEVELOPMENT. HOWEVER, ALL PRESS REPORTS ARE IN AGREEMENT THAT THE ESSENTIAL ELEMENT OF THE BARRE PLAN WILL BE AN ATTEMPT TO LIMIT INCREASES IN REAL PERSONAL INCOME AND THAT HIS ANTI-INFLATION PROGRAM MAY WELL SUCCEED OR FAIL

ON THIS SCORE. THE PRIME MINISTER NEED HAVE NO
ILLUSIONS AS TO THE DIFFICULTIES INVOLVED IN
DESIGNING SUCH A POLICY BECAUSE PRACTICALLY EVERY
SPECIAL INTEREST GROUP HAS ALREADY SAID IN NO
UNCERTAIN TERMS THAT IT WILL NOT BEAR THE FULL
BRUNT OF THE BURDEN ALONE. THE UNIONS, WHICH
WILL BE THE DECIDING FACTOR, HAVE COME OUT ADAMANTLY

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AGAINST ANY WAGE SLOWDOWN NOT ACCOMPANIED BY A
REDUCTION IN INCOME INEQUALITIES. BARRE IS KNOWN
TO BE SENSITIVE TO THIS DEMAND AND MANY
BELIEVE THAT, AS A RECOMPENSE FOR SACRIFICES TO BE
REQUESTED OF WAGE EARNERS, HIS GOVERNMENT WILL
PROPOSE AN INCREASE IN THE FIGHT AGAINST FISCAL
FRAUD, THE SUPPRESSION OF PROFESSIONAL PRIVILEGES
AND MONOPOLIES, AND PERHAPS A REVISION IN THE
CALCULATION OF THE OFFICIAL PRICE INDEX WHICH
THE UNIONS ARGUE DOES NOT ADEQUATELY REPRESENT THE

PURCHASING PATTERN OF THE AVERAGE WORKER.

4. EXTERNAL MONETARY POLICY

A. THE NEW PRIME MINISTER IS A DECLARED ADVERSARY OF MONETARY LAXITY AND A LONG-TIME PARTISAN OF FIXED EXCHANGE RATES. IT WAS HE WHO WAS RESPONSIBLE FOR PERSUADING PRESIDENT DE GAULLE NOT TO DEVALUE THE FRANC IN 1968. AS AN ADVOCATE OF THE CONCEPT OF A UNITED LIMITED OFFICIAL USE

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EUROPE, HE WAS PERSUADED THAT THE KEY TO PROGRESS TOWARD INTEGRATION WAS TO ACHIEVE A REDUCTION IN THE VARIATION AMONG NATIONAL CURRENCIES. WHILE VICE PRESIDENT OF THE EXECUTIVE COMMISSION OF THE COMMON MARKET, HE WAS THE AUTHOR OF TWO PLANS FROM WHICH THE IDEA OF THE "SNAKE" GREW. IN 1971 HE URGED THAT EUROPE NOT ACCEPT THE UNILATERAL U.S. ACTIONS OF AUGUST 15; HE PROPOSED A COUNTERATTACK VIA THE ORGANIZATION OF A COMMON UNIT OF ACCOUNT WITH A FIXED PARITY FOR THE PARTICIPATING COUNTRIES AND A SMALL MARGIN OF FLOATING WITH RESPECT TO OTHER CURRENCIES. BARRE REPORTEDLY STILL FAVORS A RETURN TO A SYSTEM OF FIXED BUT ADJUSTABLE EXCHANGE RATES, EVEN THOUGH HE REALIZES THAT IT IS NECESSARY TO ADAPT TO THE

MECHANISM OF FLOATING EXCHANGE RATES, EVEN IF HE DOES NOT ACCEPT IT. HE IS ALSO REPORTED TO BE HOSTILE TO THE COMPLETE DEMONETIZATION OF GOLD BECAUSE OF THE EXCESSIVE ROLE THAT IT IMPLIES FOR THE DOLLAR AND THE DM.

B. ONE OF BARRE'S PRIMARY GOALS WILL BE TO MAINTAIN THE STABILITY OF THE FRANC. HE IS CONVINCED THAT THE FALL OF THE FRANC WILL HAVE HARMFUL CONSEQUENCES ON THE ECONOMY. LAST MARCH AFTER THE EXIT OF THE FRANC FROM THE "SNAKE" HE DECLARED THAT, AT 4.73 FRANCS TO THE DOLLAR, THE COMPETITIVENESS OF THE FRENCH ECONOMY WAS ASSURED. HE HAS ALSO STATED, HOWEVER, THAT THE FIGHT TO MAINTAIN THE VALUE OF THE FRANC WILL NOT SUCCEED EITHER THROUGH MONETARY MANIPULATIONS OR A RETURN TO PROTECTIONISM BUT THROUGH A STRICT INTERNAL POLICY AND A SUSTAINED EFFORT ON THE PART OF THE ENTIRE COUNTRY TO FIGHT INFLATION.

C. CONFRONTED WITH THE CURRENT DOMESTIC PROBLEMS, BARRE IS MUCH TOO PRACTICAL AND REALISTIC TO

SPECULATE PUBLICLY ABOUT THE ULTIMATE POSSIBILITY OF FRANCE'S REJOINING THE "SNAKE." HOWEVER, GIVEN HIS PREDILECTIONS TOWARD A UNITED EUROPE, IT SEEMS VERY LIKELY THAT HE WOULD EVENTUALLY ADVOCATE THIS STEP --

WHEN AND IF HE HAS PUT HIS OWN HOUSE IN ORDER.

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5. EXTERNAL TRADE POLICY

A. THE FOLLOWING ARE EXCERPTS FROM EMBASSY MEMORANDA
OF CONVERSATIONS WITH MR. BARRE DURING HIS TENURE AS
MINISTER OF FOREIGN TRADE.

B. ON JANUARY 22, 1976, SHORTLY AFTER BECOMING MINISTER
OF FOREIGN TRADE, RAYMOND BARRE RECEIVED AMBASSADOR
DENT. BARRE SHOWED CONCERN FOR THE PROBLEM OF
MAINTAINING FREE TRADE IN A WORLD WHERE THE RATE OF
GROWTH OF INDUSTRIAL COUNTRIES WOULD BE RATHER SLOW.
ON MTN BARRE SAID THE GOVERNMENTS AGREED AT TOKYO THAT
"IT WAS NOT POSSIBLE TO CONSIDER INDUSTRIAL AND

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AGRICULTURAL PROBLEMS ON THE SAME LEVEL." THE EC IS SIMPLY DEFENDING A POSITION FORMULATED AT TOKYO BY GEORGE SHULTZ, HE SAID. FRANCE FAVORS AN EXPANSION OF AGRICULTURAL TRADE, BUT THE CAP, WHICH IS AN EC POLICY, MUST BE PRESERVED. BARRE THOUGHT THE AGREEMENT ON EXCHANGE RATE STABILITY AT RAMBOUILLET WOULD HELP THE MTN WHEREAS INSTABILITY IN THE EXCHANGE MARKET WOULD HURT THE MTN. BARRE SUMMARIZED HIS VIEW AS FOLLOWS: "IF WE CAN STABILIZE THE MONETARY SITUATION, RESIST PROTECTIONIST PRESSURES, AND DEAL WITH THE SPECIFICS OF AGRICULTURE, THERE IS NO REASON FOR THE MTN TO FAIL." BARRE SHOWED THOROUGH FAMILIARITY WITH MTN ISSUES.

C. IN MARCH BARRE SAW AMBASSADOR WALKER AND EXPRESSED CONCERN OVER U.S. PROTECTIONISM. HE MENTIONED COGNAC, MICHELIN TIRES, AND CONCORDE IN THIS CONTEXT (AND NOTED THAT EVERYTHING IS LINKED), ALTHOUGH, AS HE HAD WITH LIMITED OFFICIAL USE

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DENT, HE ACKNOWLEDGED FORD ADMINISTRATION SUPPORT FOR LIBERAL TRADE. LEAVING ASIDE AGRICULTURE, BARRE SAID

THE GOF IS PREPARED FOR DISCUSSION OF ALL ASPECTS OF TRADE IN MTN. BARRE SHOWED CONSIDERABLE CONSCIOUSNESS OF ATMOSPHERICS AND OF THE GENERAL CLIMATE WHICH AFFECTS NEGOTIATIONS.

D. AMBASSADOR WALKER SAW BARRE AGAIN ON MAY 13. BARRE SAID FRANCE WANTS CLEAR "RULES OF THE GAME" IN THE GATT -- HE THOUGHT SOME BASIC ASPECTS NEEDED TO BE RECONSIDERED. RULES SHOULD APPLY TO ALL COUNTRIES EQUALLY AND MULTIPLE MECHANISMS SHOULD BE AVOIDED. FRANCE IS WILLING TO CONTINUE DISCUSSION OF NTBS IN THE MTN. ON AGRICULTURE, BARRE STRESSED THE IMPORTANCE OF GETTING ACROSS OUR POINT THAT WE WERE NOT OUT TO OVERTHROW THE CAP. BARRE WANTS TO BE PRAGMATIC, BUT HE SAID IN EFFECT THE CAP IS UNTOUCHABLE. ITS EXTERNAL EFFECTS COULD BE DEALT WITH IN THE RIGHT SPIRIT. HE CONSIDERED OUR OFFER OF A TARIFF FORMULA AN "OVERTURE" -- TOWARD THE HARMONIZATION OBJECTIVE OF THE EC. ON AGRICULTURE, BARRE CLARIFIED HIS VIEW THAT AGRICULTURAL

ISSUES HAD TO BE NEGOTIATED SEPARATELY BUT MUST BE RESOLVED IN THE CONTEXT OF THE GLOBAL MTN PACKAGE.

FRANCE WOULD LIKE TO SEE "HARMONIZATION" OF AGRICULTURAL POLICIES. BARRE REPEATEDLY STRESSED THE NEED FOR A PRACTICAL AS OPPOSED TO A THEOLOGICAL APPROACH TO AGRICULTURE. HE WAS WILLING TO "SIT DOWN AND TALK ABOUT SPECIFIC PRODUCTS."

E. SEVERAL TIMES BARRE HAS REFERRED TO CONVERSATIONS HE HAD WITH SECRETARY CONNALLY AT LONDON IN 1971. HE CLEARLY THINKS THESE TALKS WERE A MODEL OF HOW TO APPROACH AGRICULTURAL PROBLEMS, LEAVING ASIDE THEOLOGY. PERHAPS BRUSSELS, LONDON, OR WASHINGTON HAS A RECORD OF THESE TALKS, WHICH IN BARRE'S MIND AT LEAST WERE CONSIDERED HELPFUL TO U.S. AGRICULTURAL INTERESTS.

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